

**PUBLIC DISCLOSURE**

SEPTEMBER 13, 2004

**COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION**

**ATHOL CREDIT UNION**

513 MAIN STREET  
ATHOL, MA 01331

DIVISION OF BANKS  
ONE SOUTH STATION  
BOSTON, MA 02110

<p><b>NOTE:</b> This evaluation is not, nor should it be construed as, an assessment of the financial condition of this institution. The rating assigned to this institution does not represent an analysis, conclusion or opinion of the Division of Banks concerning the safety and soundness of this financial institution.</p>
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## **GENERAL INFORMATION**

The Community Reinvestment Act ("CRA") requires the Massachusetts Division of Banks ("Division") to use its authority when examining financial institutions subject to its supervision, to assess the institution's record of meeting the needs of its entire assessment area, including low and moderate-income neighborhoods, consistent with safe and sound operation of the institution. Upon conclusion of such examination, the Division must prepare a written evaluation of the institution's record of meeting the credit needs of its community.

This document is an evaluation of the CRA performance of **ATHOL CREDIT UNION (or the Credit Union)** prepared by the Division, the institution's supervisory agency, as of **SEPTEMBER 13, 2004**. The Division evaluates performance in the assessment area(s), as they are defined by the institution, rather than individual branches. This assessment area evaluation may include the visits to some, but not necessarily all of the institution's branches. The Division rates the CRA performance of an institution consistent with the provisions set forth in 209 CMR 46.00.

**INSTITUTION'S CRA RATING: This institution is rated "Satisfactory".**

Athol Credit Union's overall CRA rating is based upon its performance under the five criteria contained herein. The following is a summarization of the findings that were utilized in formulating the Credit Union's overall CRA rating.

### **- Loan to Deposit Analysis**

The Credit Union's net loan to deposit ratios, over an eight-quarter period, reflects an upward trend and, as of June 30, 2004, exceeded 100 percent.

### **- Comparison of Credit Extended Inside and Outside of the Assessment Area(s)**

Virtually all of the Credit Union's residential mortgage and consumer lending comes from inside its assessment area.

### **- Distribution of Credit among Different Income Levels**

Given the demographics of the Credit Union's assessment area, a reasonable distribution of residential mortgage and consumer loans were granted to individuals of low and moderate-income.

### **- Geographic Distribution of Loans**

An average penetration of residential mortgage loans was granted to the moderate-income census tracts in the Credit Union's assessment area. Consumer lending performance was not reviewed under this criterion.

### **- Review of Complaints/Fair Lending Policies and Practices**

Fair lending policies and practices are considered to be satisfactory. No weight was given to a review of complaints, as none have been received since the prior examination.

## DESCRIPTION OF INSTITUTION

Athol Credit Union is a community, state chartered credit union incorporated under the laws of the Commonwealth of Massachusetts in 1930.

As of June 30 2004, the Credit Union had total assets of \$76,614,075. Of these total assets, \$60,050,640 or 78.4 percent were in the form of loans (net). The following table depicts Athol Credit Union's loan portfolio composition based on its June 2004 National Credit Union Administration ("NCUA") Quarterly Call Report.

Athol Credit Union Loan Portfolio as of June 30, 2004	
Type of Loans	% of Total Loans
Residential Real Estate	
a. 1-4 Family Mortgages	52.5
b. Home Equity Lines (includes second mortgages)	23.0
c. All Other Loans/Lines of Credit	0.7
Consumer Loans	
a. Unsecured Loans/Line of Credit	0.4
b. New Vehicle Loans	13.1
c. Used Vehicle Loans	10.3
<b>Total Loans</b>	<b>100.0</b>

Source: NCUA 5300 Report, 06/30/04

As indicated, overall residential real estate lending represents the majority of the Credit Union's portfolio at 76.2 percent. The second largest segment of the loan portfolio is overall consumer lending at 23.8 percent.

Athol Credit Union's sole office location is its main office located at 513 Main Street in Athol, Massachusetts.

There appears to be no legal or regulatory impediments that would affect Athol Credit Union in meeting the needs of its community. The Division conducted the previous CRA evaluation as of September 11, 2000. That examination resulted in a "Satisfactory" rating.

## Description of Assessment Area

Athol Credit Union's assessment area communities fall within the Massachusetts counties of Worcester, Franklin, and Hampshire. The following table reflects Athol Credit Union's assessment area by Metropolitan Statistical Area ("MSA"). Also included in the table are the U. S. Department of Housing and Urban Development ("HUD") estimated Median Family Incomes (2002 and 2003) for the respective MSA.

Assessment Area by Metropolitan Statistical Area (MSA)							
Fitchburg/Leominster		Springfield		Worcester		Massachusetts Non	
Communities							
Ashburnham, Gardner, Templeton, Westminster, Winchendon		Amherst, Belchertown, Chesterfield, Easthampton, Granby, Goshen, Hadley, Hatfield, Huntington, Northampton, South Hadley, Southampton, Sunderland, Ware, Westhampton, Whately, Williamsburg		Barre, Brookfield, East Brookfield, Holden, Leicester, North Brookfield, Oakham, Paxton, Princeton, Rutland, Spencer, West Brookfield		Athol, Ashfield, Bernardston, Buckland, Charlemont, Colrain, Conway, Cummington, Deerfield, Erving, Gill, Greenfield, Hardwick, Hawley, Heath, Hubbardston, Leverett, Leyden, Middlefield, Monroe, Montague New Salem, Northfield, Orange, Pelham, Petersham, Phillipston, Plainfield, Rowe, Royalston, Shelburne, Shutesbury, Warwick, Wendell, Worthington,	
Median Family Incomes (\$)							
2002	2003	2002	2003	2002	2003	2002	2003
60,900	62,100	50,700	56,800	58,400	68,000	52,100	60,300

Source: PCI Services, Inc., CRA Wiz Software.

## Demographic and Economic Data

### Change in Demographics

In 2003, the US Census Bureau released its revised demographics based upon 2000 census data. The following table reflects both the 1990 and 2000 census data of Athol Credit Union's assessment area by census tract income groupings. In addition, the percentage change in the number of census tracts by income grouping is also reflected.

Change in Assessment Area Demographics					
Census Tracts	1990 Census Data		2000 Census Data		% Change in Number of Census Tracts
	#	%	#	%	
<b>Low</b>	<b>1</b>	<b>1.2</b>	<b>0</b>	<b>0.0</b>	<b>-100.0</b>
<b>Moderate</b>	<b>7</b>	<b>8.6</b>	<b>11</b>	<b>13.6</b>	<b>57.2</b>
<b>Middle</b>	48	59.3	44	54.3	-8.3
<b>Upper</b>	21	25.9	25	30.9	19.1
<b>NA</b>	4	5.0	1	1.2	-75.0
<b>Total</b>	<b>81</b>	<b>100.0</b>	<b>81</b>	<b>100.0</b>	<b>0.0</b>

Source: PCI Services, Inc., CRA Wiz Software.

The following table reflects the changes in Athol Credit Union's census tracts from the 1990 census data to the 2000 census data by community. Note: The **bolded** items reflect a change.

Athol Credit Union's Census Tracts 1990 vs. 2000 Census Data								
Communities	Low		Moderate		Middle		Upper	
	1990	2000	1990	2000	1990	2000	1990	2000
Montague				<b>407.01</b>	407.00	<b>407.02</b>		
Sunderland, Whately					408.00			<b>408.00</b>
Deerfield					409.00			<b>409.00</b>
Greenfield						<b>411.00</b>	411.00	
Ware				<b>8201.02</b>	8201.00	<b>8201.01</b>		
Belchertown*					8202.01	<b>8202.03</b>		<b>8202.04</b>
Amherst	8204.00		8202.03	<b>8204.00</b>	8205.00	<b>8202.03</b>		<b>8205.00</b>
					8206.00			<b>8206.00</b>
					8208.01			<b>8208.01</b>
Granby						<b>8209.00</b>	8209.00	
South Hadley						<b>8210.00</b>	8210.00	
Hadley					8214.00			<b>8214.00</b>
Northampton					8222.00			<b>8222.00</b>
Athol				<b>7033.00</b>	7033.00			
Westminster						<b>7081.00</b>	7081.00	
Spencer				<b>7262.00</b>	7262.00			
Brookfield			7601.00			<b>7601.00</b>		
Warren				<b>7611.00</b>	7611.00			

Source: PCI Services, Inc., CRA Wiz Software.

\* **Note:** In the Town of Belchertown, the middle-income census tract (8202.01) was eliminated. In the City of Northampton, the NA census tracts (8218.00, 8219.00, and 8221.00) were eliminated in 2000.

The following table reflects selected housing characteristics, based upon **1990** census data, for each of the census tract income groupings in Athol Credit Union's assessment area.

Selected Housing Characteristics by Income Category of the Geography Based on 1990 Census Data							
Geographic Income Category	Percentage						Median Home Value (\$)
	Census Tracts	Households	Housing Units	Owner-Occupied	Rental Units	Vacant Units	
<b>Low</b>	<b>1.2</b>	0.1	0.1	0.0	0.3	0.3	0
<b>Moderate</b>	<b>8.6</b>	9.2	9.2	5.6	16.8	8.6	115,163
<b>Middle</b>	59.3	69.6	70.2	69.2	70.4	77.2	122,236
<b>Upper</b>	25.9	21.1	20.5	25.2	12.5	13.9	149,700
<b>NA</b>	5.0	0.0	0.0	0.0	0.0	0.0	0
<b>Total or Median</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>127,098</b>

Source: U.S. Census

In addition, the following table reflects selected housing characteristics, based upon **2000** census data, for each of the census tract income groupings in Athol Credit Union's assessment area.

Selected Housing Characteristics by Income Category of the Geography Based on 2000 Census Data							
Geographic Income Category	Percentage						Median Home Value (\$)
	Census Tracts	Households	Housing Units	Owner-Occupied	Rental Units	Vacant Units	
<b>Low</b>	<b>0.0</b>	NA	NA	NA	NA	NA	NA
<b>Moderate</b>	<b>13.6</b>	12.5	12.7	8.3	22.1	15.8	99,881
<b>Middle</b>	<b>54.3</b>	61.0	61.5	63.0	56.4	70.6	127,869
<b>Upper</b>	<b>30.9</b>	26.5	25.8	28.7	21.5	13.6	165,757
<b>NA</b>	<b>1.2</b>	0.0	0.0	0.0	0.0	0.0	0.0
<b>Total or Median</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>134,071</b>

Source: U.S. Census

## **PERFORMANCE CRITERIA**

### **1. LOAN TO DEPOSIT ANALYSIS**

Athol Credit Union's net loan to deposit ratios reflects an upward trend and, as of June 30, 2004, exceeded 100 percent. Therefore, this criterion is rated "Exceeds Standards for Satisfactory Performance".

An analysis of Athol Credit Union's net loan to deposit ratios was performed. The calculation incorporated eight quarters of the Credit Union's net loan to deposit figures as reflected in its quarterly NCUA 5300 Call Reports. The quarters reviewed included the periods from September 2002 through June 2004. The Credit Union's net loan to deposit ratio, on average, was 89.9 percent. This ratio has fluctuated from a low of 73.7 percent in September 2002, to a high of 112.3 percent in June 2003.

The following illustrates Athol Credit Union's net loan to deposit trends.

Athol Credit Union's Loan to Deposit Ratios*	
Dates	Ratio (%)
September 30, 2002	<b>73.7</b>
December 31, 2002	<b>73.7</b>
March 31, 2003	<b>75.1</b>
June 30, 2003	<b>85.2</b>
September 30, 2003	<b>93.5</b>
December 31, 2003	<b>100.6</b>
March 31, 2004	<b>104.9</b>
June 30, 2004	<b>112.3</b>

\* Source: NCUA 5300 Reports.

Over the period reflected in the table, Athol Credit Union's net loan portfolio increased by 58.4 percent while deposits grew by a mere 3.9 percent. From June 30, 2003 through June 30, 2004, the Credit Union's loan portfolio increased by 28.2 percent, while deposits grew by only 2.6 percent.

As evidenced by the meager growth in deposits, Athol Credit Union has had to rely on borrowings to fund its lending. As of June 30, 2004, the Credit Union had 19.0 percent of its liabilities in the form of borrowings.

The Credit Union historically has retained its originated mortgage loans for its own loan portfolio. However, as of September 2003, the Credit Union now has a relationship with FNMA and as of January 2003 has a relationship with the Federal Home Loan Bank to allow for the sale of its mortgage loans.

A comparison of Athol Credit Union's loan to deposit ratio to that of a representative selection of area financial institutions was also performed. As of June 30, 2004, Athol Credit Union had total assets of \$76,614,000 and a net loan to deposit ratio of 112.3 percent. The following table reflects the total assets and loan to deposit ratios of Athol Credit Union's closest competitors.

<b>COMPARATIVE NET LOAN TO TOTAL DEPOSIT RATIOS*</b>		
<b>Institution</b>	<b>Total Assets \$(000)</b>	<b>Net Loan to Total Deposit Ratios (%)</b>
Athol-Clinton Co-Operative Bank	85,899	99.8
<b>Athol Credit Union</b>	<b>76,614</b>	<b>112.3</b>
Athol Savings Bank	259,590	76.8
IC Credit Union	305,391	105.7
Gardner Franco-American	206,643	53.8
Leominster Credit Union	289,606	84.4
Workers' Credit Union	472,732	97.2

\*As of June 30, 2004.

As indicated, Athol Credit Union net loan to deposit ratios reflect an improving trend and, as of June 30, 2004, achieved a level in excess of 100 percent. Therefore, the Credit Union's performance under this criterion is considered to be above average.

## **2. COMPARISON OF CREDIT EXTENDED INSIDE AND OUTSIDE OF THE ASSESSMENT AREA(S)**

Based upon the following data, Athol Credit Union had a majority of its residential mortgage and consumer lending within its assessment area. As a result, this criterion is rated "Exceeds Standards for Satisfactory Performance".

### **Residential Mortgage Lending**

An analysis of residential mortgage lending extended both inside and outside Athol Credit Union's assessment area for the period under review was performed. A residential mortgage loan is defined as home purchase loans (including originations, purchases, and refinances) as well as home improvement loans. For the purposes herein, the period under review for residential mortgage lending constitutes calendar years 2002 and 2003.

Although Athol Credit Union is not a Home Mortgage Disclosure Act ("HMDA") (residential mortgage lending) reporter, the Credit Union utilizes computerized software that produces machines readable reports in the required regulatory format. This data format was utilized for this Public Evaluation.

The following table illustrates Athol Credit Union's level of residential mortgage lending both inside and outside its assessment area.

<b>Distribution of Home Mortgage Loans Inside and Outside of the Assessment Area</b>												
<b>Year</b>	<b>Inside</b>				<b>Outside</b>				<b>Total</b>			
	<b>Number of Loans</b>		<b>Dollar Volume (000)</b>		<b>Number of Loans</b>		<b>Dollar Volume (000)</b>		<b>Number of Loans</b>		<b>Dollar Volume (000)</b>	
	<b>#</b>	<b>%</b>	<b>\$</b>	<b>%</b>	<b>#</b>	<b>%</b>	<b>\$</b>	<b>%</b>	<b>#</b>	<b>%</b>	<b>\$</b>	<b>%</b>
<b>2002</b>	108	98.2	10,224	98.6	2	1.8	150	1.4	110	<b>100.0</b>	10,374	<b>100.0</b>
<b>2003</b>	132	93.6	13,821	93.8	9	9.4	916	6.2	141	<b>100.0</b>	14,737	<b>100.0</b>
<b>Total</b>	<b>240</b>	<b>95.6</b>	<b>24,045</b>	<b>95.8</b>	<b>11</b>	<b>4.4</b>	<b>1,066</b>	<b>4.2</b>	<b>251</b>	<b>100.0</b>	<b>25,111</b>	<b>100.0</b>

Source: Internally generated reports

As indicated, Athol Credit Union granted a majority of the number and dollar volume of its residential mortgage lending to those communities within its assessment area.

The Town of Athol accounted for the most residential mortgages. For calendar year 2002, the Credit Union granted 56 loans (50.9 percent) for \$4,964,000 (46.0 percent) in Athol. For calendar year 2003, the Credit Union granted 58 loans (41.1 percent) for \$5,029,000 (34.1 percent) in Athol.

Therefore, given the size and the resources available to Athol Credit Union, the percentage of residential mortgage lending within its assessment area is considered to be significant.

### Consumer Lending

An analysis of a sampling of consumer lending extended both inside and outside Athol Credit Union's assessment area for the period under review was performed. For the purposes herein, the period under review for consumer lending constitutes calendar years 2002 and 2003.

The type of consumer loans used in the sampling was used automobile loans. In 2002, the Credit Union granted 179 used auto loans totaling \$1,922,465. In 2003, the Credit Union granted 354 used auto loans totaling \$4,497,906.

The following table illustrates Athol Credit Union level of consumer lending both inside and outside its assessment area based upon the sample.

<b>Distribution of Consumer Lending Inside and Outside of the Assessment Area</b>												
<b>Year</b>	<b>Inside</b>				<b>Outside</b>				<b>Total</b>			
	<b>Number of Loans</b>		<b>Dollar Volume (000)</b>		<b>Number of Loans</b>		<b>Dollar Volume (000)</b>		<b>Number of Loans</b>		<b>Dollar Volume (000)</b>	
	<b>#</b>	<b>%</b>	<b>\$</b>	<b>%</b>	<b>#</b>	<b>%</b>	<b>\$</b>	<b>%</b>	<b>#</b>	<b>%</b>	<b>\$</b>	<b>%</b>
<b>2002</b>	32	<b>80.0</b>	292	<b>80.4</b>	8	20.0	71	19.6	40	<b>100.0</b>	363	<b>100.0</b>
<b>2003</b>	35	<b>100.0</b>	429	<b>100.0</b>	0	0.0	0	0.0	35	<b>100.0</b>	429	<b>100.0</b>
<b>Total</b>	<b>67</b>	<b>89.3</b>	<b>721</b>	<b>91.0</b>	<b>8</b>	<b>10.7</b>	<b>71</b>	<b>9.0</b>	<b>75</b>	<b>100.0</b>	<b>792</b>	<b>100.0</b>

Source: Sampling of loan files.

As indicated, virtually all of Athol Credit Union's consumer loan sampling fell within its assessment area. As a result, this level of lending in the consumer loan sampling is considered to be strong.



### 3. DISTRIBUTION OF CREDIT AMONG DIFFERENT INCOME LEVELS

Athol Credit Union's distribution of its residential mortgage lending and its consumer lending within its assessment area to borrowers of different incomes is considered to be adequate. Therefore, a "Meets Standards for Satisfactory Performance" rating is assigned.

#### Residential Mortgage Lending

An analysis of residential mortgage lending extended within Athol Credit Union's assessment area, among various income levels for the period under review was performed. Originations were categorized by the ratio of the applicant's reported incomes to the 2002 and 2003 estimated median family incomes of the appropriate MSA (refer to the Performance Context Section).

Low income is defined by the US Census Bureau as income below 50 percent of the median family income level for the MSA; moderate income is defined as 50 to 79 percent of the median family income; middle income is defined as income between 80 and 119 percent of the median family income; and upper income is defined as income greater than 120 percent of the median family income.

The following analysis also includes the demographic data on the percentage of households (per **1990** and **2000** census data) in the assessment area in each respective income group.

Refer to the following.

Distribution of Home Mortgage Loans by Borrower Income								
Median Family Income Level	% Total Family Households Per 1990 Census Data	2002 Credit Union Data		% Total Family Households Per 2000 Census Data	2003 Credit Union Data		Total	
		#	%		#	%	#	%
<b>Low</b>	<b>16.7</b>	<b>5</b>	<b>4.6</b>	<b>16.1</b>	<b>11</b>	<b>8.3</b>	<b>16</b>	<b>6.6</b>
<b>Moderate</b>	<b>17.2</b>	<b>37</b>	<b>34.3</b>	<b>17.4</b>	<b>44</b>	<b>33.3</b>	<b>81</b>	<b>33.8</b>
<b>Middle</b>	26.1	37	34.3	24.4	44	33.3	81	33.8
<b>Upper</b>	40.0	28	25.9	42.1	33	25.1	61	25.4
<b>NA</b>	0.0	1	0.9	0.0	0	0.0	1	0.4
<b>Total</b>	<b>100.0</b>	<b>108</b>	<b>100.0</b>	<b>100.0</b>	<b>132</b>	<b>100.0</b>	<b>240</b>	<b>100.0</b>

Internally generated reports

It should be noted that those originations designated as not applicable (NA) loans are either:

- The borrowers' income was not taken into account when granting the loan;
- The borrower is an employee; or
- The loan was purchased.

As indicated in the table, Athol Credit Union's percentage of lending to low-income borrowers is significantly below the demographic percentages of family households both for 1990 and 2000 census data. However, the Credit Union's percentage of lending to borrowers of moderate-income is above that of the demographic data for both years and remained consistent.

By dollar volume in 2002, Athol Credit Union originated 2.8 percent of its residential mortgage lending to low-income borrowers, again well below the family household demographics of 16.7 percent. Lending by dollar volume to moderate-income borrowers was 27.1 percent, while the family household demographic data was 17.2 percent of those borrowers in 2002.

For calendar year 2003, the Credit Union's residential mortgage lending by dollar volume was 4.8 percent to low-income borrowers, well below the family household demographics of 16.1 percent.

Lending by dollar volume to moderate-income borrowers was 30.1 percent, while the family household demographic was 17.4 percent.

Therefore, over the period reviewed, Athol Credit Union's level of residential mortgage lending to borrowers of low and moderate-income is considered to be satisfactory.

### Consumer Lending

Further, an analysis of Athol Credit Union's consumer lending by borrower income based upon a sampling of loans was also performed. Refer to the following.

Distribution of Consumer Lending by Borrower Income						
Median Family Income Level	2002		2003		Total	
	#	%	#	%	#	%
Low	4	12.5	8	22.9	12	17.9
Moderate	12	37.5	10	28.6	22	32.8
Middle	10	31.3	8	22.9	18	26.9
Upper	6	18.7	9	25.6	15	22.4
Total	32	100.0	35	100.0	67	100.0

Source: Sampling of loan files.

In total, the Credit Union granted 17.9 percent of the sample to low-income borrowers and 32.8 percent to moderate-income borrowers.

By dollar volume, Athol Credit Union granted 5.8 percent of the sampling to low-income borrowers and 36.7 percent to moderate-income borrowers in 2002. In 2003, the sampling captured 15.3 percent and 34.4 percent to low and moderate-income borrowers, respectively.

It is recognized that consumer loans are generally granted to single applicants. Therefore, the percentage of originations occurring in low and moderate-income levels can be somewhat higher than that of residential mortgage originations, where the income typically is the result of joint borrower incomes. Therefore, Athol Credit Union's penetration of its consumer lending to borrowers of low and moderate-income is considered to be reasonable.

## 4. GEOGRAPHIC DISTRIBUTION OF LOANS

The following analysis indicates that Athol Credit Union appears to have achieved a reasonable penetration of its residential mortgage lending to the moderate-income census tracts within its assessment area over the period reviewed. Therefore, a rating of "Meets Standards for Satisfactory Performance", is assigned.

### Residential Mortgage Lending

Based upon **1990** census data, Athol Credit Union's assessment area contained eighty-one census tracts. Of those tracts, one or 1.2 percent is low-income, seven or 8.6 percent are moderate-income, forty-eight or 59.3 percent are middle-income, twenty-one or 25.9 percent are upper-income, and four or 5.0 percent have no income designation.

Based upon **2000** census data, Athol Credit Union's assessment area still contained eighty-one census tracts. However, of those tracts, eleven or 13.6 percent are now moderate-income, forty-four or 54.3 percent are middle-income, twenty-five or 30.9 percent are upper-income and

one or 1.2 percent have no income designation. There are no longer any low-income census tracts in the credit union's assessment area based upon the new **2000** census data.

An analysis of residential mortgage lending extended within the various census tracts contained within Athol Credit Union's assessment area was conducted. The following table presents the Credit Union's performance as well as the percentage of owner-occupied housing units (per **1990** and **2000** census data) in each of the census tract income categories.

<b>Distribution of Home Mortgage Loans by Income Category of the Census Tract</b>								
<b>Census Tracts</b>	<b>% Total Owner-Occupied Housing Units Per 1990 Census Data</b>	<b>2002 Credit Union Data</b>		<b>% Total Owner-Occupied Housing Units Per 2000 Census Data</b>	<b>2003 Credit Union Data</b>		<b>Total</b>	
		<b>#</b>	<b>%</b>		<b>#</b>	<b>%</b>	<b>#</b>	<b>%</b>
<b>Low</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>NA</b>	<b>NA</b>	<b>NA</b>	<b>NA</b>	<b>NA</b>
<b>Moderate</b>	<b>5.6</b>	<b>14</b>	<b>13.0</b>	<b>8.3</b>	<b>42</b>	<b>31.8</b>	<b>56</b>	<b>23.3</b>
<b>Middle</b>	69.2	89	82.4	63.0	81	61.4	170	70.8
<b>Upper</b>	25.2	5	4.6	28.7	9	6.8	14	5.9
<b>NA</b>	0.0	0	0.0	0.0	0	0.0	0	0.0
<b>Total</b>	<b>100.0</b>	<b>108</b>	<b>100.0</b>	<b>100.0</b>	<b>132</b>	<b>100.0</b>	<b>240</b>	<b>100.0</b>

Internally generated reports

As indicated, the percentage of the Credit Union's residential mortgage lending by number was above the demographic data in both 2002 and 2003. By dollar volume, the Credit Union originated 11.4 percent of its residential mortgage lending to the moderate-income tracts in 2002, and 26.7 percent of the dollar volume in 2003, also above the demographics by percentage.

Although the percentages of lending to the moderate-income census tracts increased, the number of moderate-income tracts in the Credit Union's assessment area also increased. The number of moderate-income tracts went from seven tracts to eleven tracts, an increase of 57.1 percent of moderate-income census tracts now available in the credit union's assessment area.

In conclusion, given both the 1990 and 2000 census data demographics of Athol Credit Union's moderate-income census tracts within its assessment area, and the aforementioned increase in the number of those tracts, its geographic distribution of its residential mortgage lending is considered to be reasonable.

## **Consumer Lending**

Athol Credit Union does not collect, nor is it required to collect, census tract data on its consumer loans. Therefore, an analysis of the geographic distribution of the consumer loan sampling was not performed.

## **5. REVIEW OF COMPLAINTS/FAIR LENDING POLICIES AND PRACTICES**

Athol Credit Union received no CRA related complaints in the period under review. The Credit Union has a satisfactory record of implementing fair lending policies and practices. The following discussion of the fair lending review is based on Regulatory Bulletin 2-3-101 guidelines.

Athol Credit Union offers fixed rate and adjustable rate mortgage loans with terms of 10, 15, 20/25, and 30 years with a maximum loan to value (LTV) of 95 percent. All first mortgage loans with an LTV in excess of 80 percent require private mortgage insurance. The credit union's real estate loan policy establishes borrower qualifying ratios of 28%/38% (housing expense/total indebtedness to gross monthly income). The Credit Union's adjustable rate mortgage products include 1yr, 3 yr, and 5/1 ARMs. Athol Credit Union also offers home equity lines of credit and fixed rate (fixed term) home equity loans with a maximum loan to value ("LTV") of 80 percent of appraised value. Additionally, the Credit Union offers a variety of consumer loan products. These products include new/used auto loans with LTVs up to 100 percent and maximum term of 6 years and a maximum loan amount of \$75 thousand. Unsecured personal loans are offered with maximum term of 4 years and a minimum and maximum loan amount of \$500 and \$15,000, respectively. The Credit Union's consumer loan policy allows for qualify ratios of up to 45 percent of gross monthly income (for total indebtedness), depending on the applicant's credit score. Athol Credit Union also prices consumer loan interest rate based on the applicant's credit score.

Athol Credit Union's Real Estate Committee functions as the second reviewer for all denied mortgage loan applications. The committee meets at least weekly and reviews the denied mortgage application prior to the denial notice being sent out to the applicant(s).

A Fair Lending review was conducted at this examination. This review was conducted in accordance with the Federal Financial Institutions Examination Council (FFIEC) Interagency Fair Lending Examination Procedures. Based on the sample reviewed, no evidence of disparate treatment of applicants was noted.

## Minority Application Flow

For the period reviewed, Athol Credit Union received a total of 8 residential mortgage applications from various minority groups, representing 2.6 percent of all applications received from within its assessment area. In addition, the following table reflects the minority demographics of Athol Credit Union's assessment area based upon both the **1990** and the **2000** census data.

Distribution of Home Mortgage Loan Applications by Race								
Race	Racial Demographics Per 1990 Census Data	2002 Credit Union Data		Racial Demographics Per 2000 Census Data	2003 Credit Union Data		Total	
		#	%		#	%	#	%
Native American	0.2	4	3.2	0.2	0	0.0	4	1.3
Asian	1.6	0	0.0	1.9	1	0.5	1	0.3
Black	1.0	1	0.8	1.2	1	0.5	2	0.7
Hispanic	1.7	0	0.0	2.5	1	0.5	1	0.3
Joint Race	0.0	0	0.0	0.0	0	0.0	0	0.0
Other	0.1	0	0.0	1.3	0	0.0	0	0.0
<b>Total Minority</b>	<b>4.6</b>	<b>5</b>	<b>4.0</b>	<b>7.1</b>	<b>3</b>	<b>1.5</b>	<b>8</b>	<b>2.6</b>
White	95.4	118	95.2	92.9	151	83.0	269	87.9
NA	0.0	1	0.8	0.0	28	15.5	29	9.5
<b>Total</b>	<b>100.0</b>	<b>124</b>	<b>100.0</b>	<b>100.0</b>	<b>182</b>	<b>100.0</b>	<b>306</b>	<b>100.0</b>

Internally generated reports

Given the almost minority population within its assessment area, Athol Credit Union's level of minority applications is considered reasonable.

**THE COMMONWEALTH OF MASSACHUSETTS**

To the COMMISSIONER OF BANKS:

THIS IS TO CERTIFY, that the report of examination of the

**ATHOL CREDIT UNION**

for compliance with applicable consumer and fair lending rules and regulations and the Community Reinvestment Act, as of the close of business **SEPTEMBER 13, 2004**, has been read to or by the undersigned and the matters referred to therein will have our immediate attention.

_____	_____
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A majority of the Board of Directors/Trustees

Dated at \_\_\_\_\_ this \_\_\_\_\_ day of \_\_\_\_\_ 20 \_\_\_\_

## PERFORMANCE EVALUATION DISCLOSURE GUIDE

Massachusetts General Laws Chapter 167, Section 14, as amended, and the Uniform Interagency Community Reinvestment Act (CRA) Guidelines for Disclosure of Written Evaluations require all financial institutions to take the following actions within 30 business days of receipt of the CRA evaluation of their institution:

- 1) Make its most current CRA performance evaluation available to the public;
- 2) At a minimum, place the evaluation in the institution's CRA public file located at the head office and at a designated office in each assessment area;
- 3) Add the following language to the institution's required CRA public notice that is posted in each depository facility:

"You may obtain the public section of our most recent CRA Performance Evaluation, which was prepared by the Massachusetts Division of Banks, at (Address at main office)."

[Please Note: If the institution has more than one local community, each office (other than off-premises electronic deposit facilities) in that community shall also include the address of the designated office for that assessment area.]

- 4) Provide a copy of its current evaluation to the public, upon request. In connection with this, the institution is authorized to charge a fee which does not exceed the cost of reproduction and mailing (if applicable).

The format and content of the institution's evaluation, as prepared by its supervisory agency, may not be altered or abridged in any manner. The institution is encouraged to include its response to the evaluation in its CRA public file.